

Message Text

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43

ACTION EB-07

INFO OCT-01 AF-04 ARA-06 EUR-12 EA-06 ISO-00 GSA-01 INT-05

AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FEAE-00 FPC-01 H-01 INR-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 PA-01 PRS-01 USIA-06 /104 W

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R 240744Z DEC 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9374

INFO AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY KINSHASA

AMEMBASSY LUBUMBASHI

AMEMBASSY LIMA

AMEMBASSY LUSAKA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TASG: ECON, EIND, EMIN, ETRD, RP

SUBJECT: JAPANESE SEEK CUTBACK OF PHILIPPINE COPPER SHIPMENTS

REF: MANILA 14327

SUMMARY:

AMID PRESS REPORTS THAT JAPANESE HAVE REQUESTED COPPER

CONCENTRATE SHIPMENT CUTS OF TEN TO FORTY PERCENT

PHILIPPINE MINING INDUSTRY HAS BEEN RESISTING EFFORTS

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BY JAPANESE FOR NEGOTIATED CUTS. THUS FAR, IT WOULD

SEEM, NO MINING FIRMS HAVE AGREED TO CUTS IN SHIPMENTS AND NO UNILATERAL CUTBACKS HAVE BEEN IMPOSED BY JAPANESE. CUTS WOULD SEEM INEVITABLE, HOWEVER, GIVEN CURRENT REPORTS OF STATE OF JAPANESE SMELTING INDUSTRY AND WORLD COPPER MARKET. DEVELOPMENT HAS LET TO RENEWED PHILIPPINE CLAMOR TO GOP FOR TAX RELIEF.
END SUMMARY:

1. REPORTS IN MANILA PRESS DURING LAST FEW DAYS HAVE INDICATED THAT JAPANESE COPPER SMELTING SOMPANIES ARE SEEKING TO CUT BACK AMOUNTS OF COPPER CONCENTRATE THEY WILL ACDEPT FROM PHILIPPINE MINES. ARTICLES ARE FOR MOST PART INACCURATE AS TO DETAILS BUT ACCURATE IN DESCRIPTION OF JAPANESE EFFORTS TO HAVE MINING COMPANIES ACCEPT SOME CUTBACKS. MAGNITUDE OF REPORTED CUTBACKS RANGES FROM TEN TO FORTY PERCENT.

2. IN WHAT IS PROBABLY ARTICLE CLOSEST TO REALITY EVENING EXPRESS OF DECEMBER 23 RECOUNTS EFFORTS OF MITSUBISHI METAL CORP TO PRY AGREED CUT FROM ATLAS CONSOLIDATED, LARGEST OF PHILIPPINE COPPER PRODUCER. MITSUBISHI HAS NOT APPROACHED ATLAS DIRECTLY BUT, ACCORDING TO COMPANY OFFICIAL, MADE KNOWN TO ATLAS AGENTS IN JAPAN THAT SHIPMENTS WOULD HAVE TO BE CUT BY THIRTY PERCENT. ATLAS READ THIS AS PRELUDE TO TEN PERCENT CUT.

3. ON DECEMBER 23 JAPANESE OFFICIALS CALLED ON LOCAL COMPANY WHICH MANAGES GROUP OF SMALLER COPPER PRODUCERS FOR PURPOSE OF NEGOTIATING CUTBACKS. OFFICER OF LOCAL FIRM TOLD EMBOFF THAT JAPANESE WERE SEEKING FIFTEEN PERCENT REDUCTION IN CONCENTRATE SHIPMENTS. THEY WERE TURNED DOWN.

4. LOCAL COMPANIES HAVE INDICATED THAT THEY INTEND TO STAND FIRM AND UNITED AGAINST JAPANESE IN THIS MATTER. COMPANIES BELIEVE THAT JAPANESE WILL SEEK TO REDUCE IMPORTS FROM CANADA AND SOUTH AMERICA BUT WILL MAINTAIN IMPORTS FROM PHILIPPINES AT PRESENT LEVEL BECAUSE PRICE OF PHILIPPINE CONCENTRATES IS LOWER. LOCAL COMPANY LIMITED OFFICIAL USE

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OFFICIALS ALYO CLAIM THAT JAPANESE HAVE NOT REDUCED IMPORTS FROM CIPEC MEMBERS AND HAVE BEEN REBUFFED BY CANADIANS.

COMMENT:
PREVIOUS "IT CAN'T HAPPEN HERE" ATTITUDE OF COPPER MINING COMPANIES IS BEGINNING TO ERODE TO CHAGRIN AND IN SOME CASES OUTRAGE WITH JAPANESE REQUEST FOR CUTBACKS. SOME

INITIAL REACTIONS INCLUDE THREATS OF LAWSUITS TO FORCE JAPANESE TO HONOR CONTRACTS AND TALK OF JOINING CIPEC. HOWEVER, COOLER JUDGMENT WILL LIKELY PREVAIL, AS PHILIPPINE COPPER INDUSTRY LEVERAGE IS EXTREMELY LIMITED: THERE ARE NO ALTERNATIVE MARKETS FOR PHILIPPINE CONCENTRATES. FOR LARGER COMPANIES CUTBACKS WOULD SERIOUSLY THREATEN PROFIT MARGINS EVEN CONSIDERING HIGHER PRICE LEVELS FOR BYPRODUCTS PRECIOUS METALS. FOR MARGINAL PRODUCERS CUTBACKS WILL MEAN CLOSURE -- ALREADY TWO HAVE SHUT DOWN. DEVELOPMENTS HAVE LED TO RENEWED INDUSTRY DEMAND THAT GOP LESSEN TAX BURDEN, SPECIFICALLY REPEAL OF 6PERCENT EXPORT TAX, RELIEF FROM IMPORT DUTIES ON INDUSTRIAL FUEL OIL AND CONTINUATION OF AND INCREASE IN DEPLETION ALLOWANCE.
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